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Tree Nuts

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Approved by:

Chad R. Russell
U.S. Embassy, New Delhi

Prepared by:

Santosh Kr. Singh

Report Highlights:

Post forecasts India's almond imports for marketing year (MY) 2005/06 (September/August) at 22,800 tons (in-shell basis), due to expected high US prices and resultant weaker demand.

With respect to walnuts, Post forecasts India's production for MY 2005/06 (October/September) at 32,000 tons (kernel weight basis) because of favorable weather conditions. Forecasts for exports (lower) and consumption (higher) are 14,000 tons and 18,000 tons, respectively.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Table of Contents

SECTION I - SITUATION & OUTLOOK.....	3
ALMONDS	3
Production.....	3
Consumption	3
Trade.....	3
Trade Policy & Marketing Opportunities	4
WALNUTS	4
Production.....	4
Consumption	4
Trade.....	5
Trade Policy.....	5
SECTION II – STATISTICAL TABLES	6
Table 1: Commodity, Almond, PSD Table	6
Table 2: Commodity, Almond, Prices Table.....	7
Table 3: Wholesale Almond Kernel Prices (Rs./Kg.), Delhi Market	7
Table 4: Commodity, Almond, Import Trade Matrix	8
Table 5: Commodity, Walnut, PSD Table	9
Table 6: Commodity, Walnut, Price Table	10
Table 7: Walnut Prices during 2003/04	10
Table 8: Commodity, Walnut, Export Trade Matrix	11
Table 9: Almonds and Walnuts Tariffs	12

SECTION I - SITUATION & OUTLOOK**ALMONDS****Production**

India's small almond crop is forecast at 1,000 tons (kernel weight basis) for marketing year (MY) 2005/06 (September/August) and is forecast at 1,200 tons in MY 2006/07, assuming normal weather in the major growing region of the Kashmir valley. Yields range from 1000-1500 nuts/tree/year; shelling rates are 20-25 percent (hard shell varieties) to 40 percent (thin-shelled varieties).

Consumption

Almond consumption in MY 2005/06 is forecast to decline by over 11 percent to 24,000 tons on expected 'relatively high' prices of almonds (due to high import price of US almonds) vis-à-vis prices of other nuts. Consumption is forecast to recover to 27,000 tons in MY 2006/07 if import prices decline.

MY 2004/05 consumption has been revised higher to 27,000 tons on strong domestic demand.

Almond consumption over the past few years has grown steadily, propelled by a strong economy, expanding middle class, growing health awareness, and attractive relative prices. India's consumption of almonds is almost entirely met through imports, with the United States capturing about an 85 percent share of the import market. Consequently, domestic market prices are strongly influenced by US prices.

Although almond prices were ruling well above the previous year's level since the beginning of the 2004/05 marketing year (see table 2), prices of other competing nuts (pistachios, cashew, walnut) were also higher during the peak consumption season of September to January. However, since March 2005, almond prices have risen sharply, whereas prices of other nuts have declined or remained stable. In early April, almond wholesale prices crossed the rs. 400/kg (\$4.2/lb) level for the first time in two decades. According to trade sources, higher prices diminished demand, both for direct consumption and industrial use. Nevertheless, February to August, a lean consumption period for almonds, overall consumption during MY 2004/05 grew to 27,000 tons. However, continuing high export prices for US almond may further fuel the domestic prices in India during the upcoming season and constrain MY 2005/06 consumption.

Indian consumers consider almonds a 'high energy' food, especially good for children, recuperating patients, and physically active people. Almonds are consumed as whole nuts and/or used in local desserts, sweets, and confectionary products. Consumption peaks during the September-January festival period. Traditional higher income households prefer Iranian (Mamra/Qumi) almonds despite their high price premium (see table 3). Most of the spoiled/rancid almond kernels are processed for oil by cosmetic/health care product companies.

Trade

Post forecasts India's almond imports for marketing year 2005/06 at 22,800 tons (in-shell basis), down 15 percent for the previous year. High domestic prices triggered by higher prices for US almonds dampened consumption and thus imports. Assuming a slow down in US prices in 2006/07, imports are forecast to rebound to 25,500 tons.

Almond is a consistently leading US agricultural export product to India, with volumes increasing from 6,000 tons in 1996/97 to a record 23,530 tons in 2004/05. Imports from Afghanistan, the second major supplier, have also increased in recent years due to the tariff concession (50 percent of the applicable basic duty) granted under the Indo-Afghan Preferential Trade Agreement (see IN3040). Imports from Iran have declined on lower supplies. More recently, Chile is emerging as a small but growing supplier of almonds to India. Imports from the United States and Australia are mostly nonpareils in shell and are hand shelled locally. Imports from other origins are mostly in the form of kernels.

Trade Policy & Marketing Opportunities

There are no quantitative restrictions on almond imports. However, high tariffs (see table 9) constrain import growth. Market sources assess India's import potential for US almonds at about 35,000 tons if tariff levels were brought down to rs. 15-20/kg from the existing rs. 35/kg. Post strongly supports the US almond industry's marketing efforts in India, focused on promoting year-around consumption of almonds by highlighting their nutritional benefits.

WALNUTS

Production

Post forecasts India's walnut production for MY 2005/06 (October/September) at 32,000 tons (kernel weight basis) because of favorable weather conditions. Rains in February/March provided an optimum moisture regime for trees reaching the flowering/fruit setting stage; backup monsoon rains supported fruiting and nut formation. There were no reports of major pest or disease outbreaks in the growing areas. Rains in September, coinciding with harvesting, could adversely affect quality. Assuming normal weather, MY 2006/07 walnut production is forecast at 34,000 tons.

Post revised downward walnut production for MY 2004/05 to 31,000 tons, due to the impact of a May snowfall on yields.

Walnuts are grown almost entirely in Jammu and Kashmir under rainfed conditions in rocky terrain. Stagnant grower prices and continued terrorist violence in Kashmir have discouraged additional plantings. Yields are low, ranging from 18-50 kg/tree/year, due to the lack of irrigation and low soil fertility. Nut sizes range from 24-32 mm. Indian walnuts are classified as hard, medium or thin shell (Kaghazi). The average shelling rate is 40 percent, but can go as high as 70 percent in the case of the thin-shelled 'Bakshi' variety. End-August through September is the typical harvest season with market arrivals peaking in late October.

Consumption

Walnut consumption in MY 2005/06 is forecast to increase by six percent to 18,000 tons on expected larger production and higher prices for competing almonds. Consumption in 2006/07 is forecast to increase to 18,500 tons due to larger supplies.

Tight domestic supplies and high prices of competing nuts (almonds and pistachios) fueled walnut prices to record levels in MY 2004/05 (see tables 6 & 7). Prices are expected to remain strong in MY 2005/06 on anticipated strong domestic demand. Better consumer packaging (vacuum packs) has encouraged middle class consumers to eat walnuts as a year-around snack. The use of walnuts by the confectionary and ice cream industries is expected to increase in MY 2005/06 due to competitive pricing of walnuts vis-à-vis substitute nuts.

Trade

Post forecasts exports to decline to 14,000 tons, as surplus availability diminishes following higher domestic demand. However, exports in MY 2006/07 are forecast to increase to 15,400 tons on improved supplies.

MY 2004/05 exports have been revised lower to 14,400 ton on account of lower production and strong domestic demand.

Market sources report higher export defaults following strengthening of prices during the period November 2004 through January 2005. Major export destinations in MY 2004/05 were Spain, Germany, Egypt, U.K., Greece, Denmark, Netherland, Taiwan, and New Zealand (see table 8). More than 95 percent are exported as kernels (40 percent light halves; 20 percent amber halves/broken; and the balance as brokens) in vacuum packs.

Trade Policy

There are no quantitative restrictions on imports. A duty of 30.6 percent is applied to imported walnuts (see tariff table 9). Although South Asian Association for Regional Cooperation (SAARC) countries and Afghanistan have better market access under preferential trade agreements, given strong domestic production and high tariffs, imports are unlikely.

SECTION II – STATISTICAL TABLES

Table 1: Commodity, Almond, PSD Table

PSD Table							
Country	India						
Commodity	Almonds, Shelled Basis						(HA) (1000 TREES)(MT)
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		09/2004		09/2005		09/2006	MM/YYYY
Area Planted	19000	19000	19000	19000	0	19000	(HA)
Area Harvested	16900	169000	17000	17000	0	17000	(HA)
Bearing Trees	1100	1100	1120	1120	0	1120	(1000 TREES)
Non-Bearing Trees	200	200	200	200	0	200	(1000 TREES)
Total Trees	1300	1300	1320	1320	0	1320	(1000 TREES)
Beginning Stocks	6600	6290	6300	7190	6400	6990	(MT)
Production	1200	1100	1100	1000	0	1200	(MT)
Imports	23500	26800	25000	22800	0	25500	(MT)
TOTAL SUPPLY	31300	34190	32400	30990	6400	33690	(MT)
Exports	0	0	0	0	0	0	(MT)
Domestic Consumption	25000	27000	26000	24000	0	27000	(MT)
Ending Stocks	6300	7190	6400	6990	0	6690	(MT)
TOTAL DISTRIBUTION	31300	34190	32400	30990	0	33690	(MT)

Note: The PSD is based on discussions with major traders.

Table 2: Commodity, Almond, Prices Table

Prices Table			
Country	India		
Commodity	Almonds, Shelled Basis		
Prices in	Rupees	per uom	100 Kg.
Year	2004	2005	% Change
Jan	30675	38500	26%
Feb	30700	37700	23%
Mar	30800	38300	24%
Apr	30100	41850	39%
May	30400	45775	51%
Jun	30550	46275	51%
Jul	31550	45500	44%
Aug	33200		-100%
Sep	36900		-100%
Oct	35900		-100%
Nov	36800		-100%
Dec	38300		-100%
Exchange Rate	44.35	Local Currency/US \$	
Date of Quote	08/11/05	MM/DD/YYYY	

Source: Economic Times (Average week-end prices in the Delhi Wholesale Market).

Table 3: Wholesale Almond Kernel Prices (Rs./Kg.), Delhi Market

Type (Origin)	2004/05	2003/04
Californian Almonds	350-465	261-332
Mamra Almonds (Iran)	600-900	500-650
Qumi Almonds (Iran)	350-600	325-450
Gulbandi Almonds (Afghan)	325-430	280-325

Source: Market sources.

Table 4: Commodity, Almond, Import Trade Matrix

Import Trade Matrix			
Country	India		
Commodity	Almonds, Shelled Basis		
Time Period	Sept-Aug	Units:	Metric tons
Imports for:	2003		2004
U.S.	21440	U.S.	23530
Others		Others	
Afghanistan	1536	Afghanistan	1900
Iran	1180	Iran	800
Australia	368	Australia	400
Chile	33	Chile	150
Total for Others	3117		3250
Others not Listed	33		20
Grand Total	24590		26800

Source: Estimates derived from official GOI sources (2003/04), trade sources (2004/05) and California Almond Board Statistics (2003/04 and 2004/05).

Table 5: Commodity, Walnut, PSD Table

PSD Table							
Country	India						
Commodity	Walnuts, Inshell Basis				(HA) (1000 TREES)(MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	36600	36600	36600	36600	0	36600	(HA)
Area Harvested	30500	30800	30800	30800	0	30800	(HA)
Bearing Trees	1330	1330	1330	1330	0	1345	(1000 TREES)
Non-Bearing Trees	255	255	265	265	0	250	(1000 TREES)
Total Trees	1585	1585	1595	1595	0	1595	(1000 TREES)
Beginning Stocks	2050	2200	2550	1800	2050	1800	(MT)
Production	34000	31000	31500	32000	0	34000	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	36050	33200	34050	33800	2050	35800	(MT)
Exports	16500	14400	15000	14000	0	15400	(MT)
Domestic Consumption	17000	17000	17000	18000	0	18500	(MT)
Ending Stocks	2550	1800	2050	1800	0	1900	(MT)
TOTAL DISTRIBUTION	36050	33200	34050	33800	0	35800	(MT)

Note: The PSD is based on discussions with major walnut traders in Delhi.

Table 6: Commodity, Walnut, Price Table

Prices Table			
Country	India		
Commodity	Walnuts, Inshell Basis		
Prices in	Rupees	per uom	100 Kg
Year	2004	2005	% Change
Jan	9250	14000	51%
Feb	10000	13000	30%
Mar	10000	11200	12%
Apr	8000	10000	25%
May	8000	11850	48%
Jun	8000	13200	65%
Jul	8000	13600	70%
Aug	8000		-100%
Sep	8000		-100%
Oct	8400		-100%
Nov	13000		-100%
Dec	14000		-100%
Exchange Rate	44.35	Local Currency/US \$	
Date of Quote	08/11/05	MM/DD/YYYY	

Source: Economic Times (Average week-end prices in the Delhi Wholesale Market).

Table 7: Walnut Prices during 2003/04

PRICE	UNITS	2004/05	2003/04	2002/03
Wholesale Price of FAQ Walnut	(Rs./Kg)	55-60	48-55	50-60
Export Price (C&F Europe)	US\$/MT			
1. Light Halves	-do-	4500-6500	4150-4850	3950-4900
2. Light Broken/Amber Halves	-do-	3500-4800	2950-3650	2850-3700
3. Amber Broken	-do-	2800-4250	2750-3100	2600-3300

Source: Market Sources.

Table 8: Commodity, Walnut, Export Trade Matrix

Export Trade Matrix			
Country	India		
Commodity	Walnuts, Inshell Basis		
Time Period	April-March	Units:	Metric Tons
Exports for:	2003		2004
U.S.	195	U.S.	140
Others		Others	
Spain	4490	Spain	4125
Germany	1800	Germany	1750
U.K.	1300	Egypt	1100
Egypt	915	U.K.	1000
Greece	815	Greece	800
Netherland	814	Denmark	800
Denmark	695	Netherland	750
France	568	France	700
Taiwan	530	Taiwan	400
Kuwait	530	New Zealand	400
Total for Others	12457		11825
Others not Listed	2698		2435
Grand Total	15350		14400

Note: MY 2003 refer to Indian Fiscal Year (IFY) 2003/04 (April-March) as most exports happen during October 2003 through March 2004.

Source: MY 2003 - Export figures from DGCIS, Ministry of Commerce.
MY 2004 - Provisional Trade Estimates.

Table 9: Almonds and Walnuts Tariffs

Commodity Code	Description	Import Policy	Basic Duty/2	Education Cess	Total Applicable Duty /5
HC 0802.11	Almonds Inshell	OGL /1	Rs 35/kg	Exempted /3	Rs 35/kg
HC 0802.12	Almond Kernel	OGL /1	Rs 65/kg	2%	Rs. 66.3/kg
HC 0802.31	Walnut InShell	OGL /1	30/20% /4	2%	30.6/20.4% /4
HC 0802.32	Walnut Shelled	OGL /1	30/20% /4	2%	30.6/20.4% /4

Notes on Tariff:

/1: OGL (Open General License) – no quantitative restrictions.

/2: Under the IAPTA, a tariff concession of 50 percent applied on the basic import duty for these goods if imported from Afghanistan.

/3: Almond in-shell exempted from the education cess.

/4: Preferential duty for SAARC countries (Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan).

/5: Method for computing Total applicable duty:

A: CIF Value of Good

B: Basic Duty = Basic Duty Rate * A

C: Education Cess (EC) = EC Rate * B

Total Applicable Duty = B+C

Sanitary Conditions: On March 21, 2005, the Department of Health, Ministry of Health and Family Welfare, Government of India (GOI), issued a final Gazette notification under the Prevention of Food Adulteration Act (PFA), which establishes following new standards for dry fruits and nuts (including almonds and walnuts):

- | | |
|---|----------------------------|
| 1. Extraneous vegetable matter (m/m) | Not more than 1.0 percent |
| 2. Damaged/discolored units (m/m) | Not more than 2.0 percent |
| 3. Acidity of extracted fat expressed as Oleic Acid | Not more than 1.25 percent |

Where;

m/m = mass/mass

Extraneous vegetable matter: stalks, pieces of shells, pits, fiber, peel, etc.

Damaged/discolored: units affected by sunburn, scars, mechanical injury, discoloration, and insects

The link to the final gazette notification is: www.mohfw.nic.in/F18521032005.pdf. You may also refer to our FAIRS report 'Prevention of Food Adulteration (second amendment) Rules, 2005' (IN5058).